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NOTE

The term 'Britain' is used informally in the *Survey of Current Affairs* to mean the United Kingdom of Great Britain and Northern Ireland. 'Great Britain' comprises England, Wales and Scotland.

Government and Administration

Local Government Review

Government proposals for changes to the structure of local government in England and for the replacement of the community charge by a council tax were set out in consultation papers published on 23 April.

STRUCTURE OF LOCAL GOVERNMENT IN ENGLAND

Announcing the publication of one of the consultation papers[1] in the House of Commons (*Hansard*, Vol 189, No 93, cols 901-17), the Secretary of State for the Environment, Mr Michael Heseltine, said that it built upon his announcement on 21 March of the Government's interim conclusions on the review of local government (see pp 130-2). The consultation paper says that the Government believes that there should be a move towards unitary authorities where these do not already exist. It sets out the way in which this change might be implemented, and also invites views on a range of related issues. The deadline for responses is 14 June 1991.

Local Authorities as Enablers

The consultation paper says that local authorities 'are undergoing a fundamental transformation from being the main providers of services to having responsibility for securing their provision. The task of setting standards, specifying the work to be done and monitoring performance is done better if it is fully separated from the job of providing the services.' The private and voluntary sectors should be used to provide services where this is more cost-effective than direct provision by the authority.

London and the Metropolitan Counties

There are no plans to change the structure of local government in London and the metropolitan counties, which was reformed in 1986 (see pp 108-9, 1986). However, views are sought on how joint arrangements in some areas, such as grants to the voluntary sector and the arts, might be improved.

Scope for Improvements in Structure

Describing the scope for improvements in the structure of local government outside London and the metropolitan counties, the consultation paper says that changes in the role of local government have 'altered the presumption ... that there is an ideal size of authority for the most efficient delivery of services'. Many authorities, it says, already combine with others or organise themselves into smaller units for the delivery of particular services to achieve greater efficiency or responsiveness. In addition, some of the authorities which emerged from the 1974 reorganisation of local government are still not wholly accepted by all the local communities which they serve. The paper also says that the existence of two tiers of local government at county and district levels can cause confusion over which tier is responsible for which service. It recommends close co-ordination of the functions for which local government is responsible.

The consultation paper says that 'in the main it is desirable that people can identify one authority which secures services in their

[1] *Local Government Review. The Structure of Local Government in England. A Consultation Paper.* Available free from the Department of the Environment, Room N7/20, 2 Marsham Street, London SW1P 3EB.

area. Having a single tier should reduce bureaucracy and improve the co-ordination of services, increasing quality and reducing costs.' Single authorities for each area would also offer the opportunity of relating the structure of local government more closely to the communities with which people identify, and is important for proper financial accountability on the part of the local authorities to local taxpayers.

There is no intention to abolish county or district councils wholesale. 'In some places, it may be best for existing authorities to be merged; in others the best approach may be to create or recreate quite different authorities. In some areas there could be a case for two tiers. The aim will be to achieve the structure which best matches the particular circumstances of each area.'

Parishes

The consultation paper recognises the useful role played by parishes (the smallest unit of local government). It says that there may be a case for considering whether to enhance the role of parish councils, especially where a new unitary authority covers a large area.

Local Government Commission

The establishment of a new independent body, the Local Government Commission, is proposed. This would look at cases for change to the present local government structure in England. Its members would be appointed by government ministers. It is intended that the Local Government Commission should take on the work currently carried out by the Local Government Boundary Commission.

The Commission would make outline proposals for areas of the country, taking account of community loyalties and local opinion. Local authorities, local people, government departments, the Audit Commission and other interested parties within an area would then be invited to make proposals for further consideration. The following factors would be taken into account:

– service arrangements;

– long-term costs and benefits;

– transitional costs;

– asset and staff requirements;

– plans for contracting out services;

– proposals to enhance the role of parishes (if appropriate); and

– proposals for handling functions or facilities across an area wider than one authority (if appropriate).

The Secretary of State for the Environment would reach a decision on the final recommendations of the Local Government Commission, and would invite Parliament to bring the decision into effect. A period of perhaps 20 years should normally elapse between major reviews by the Commission.

The Government hopes that the first new unitary authorities can be set up on 1 April 1994, subject to responses to the paper and parliamentary approval of the necessary primary legislation.

Electoral Arrangements

The consultation paper says that the complexity of existing electoral arrangements may discourage people from taking an interest in local government. There is a case for reconsidering electoral cycles and numbers of councillors. Possible changes to local electoral arrangements will be discussed in a separate consultation paper on the internal management of local authorities.

Scotland and Wales

The Secretary of State for Scotland, Mr Ian Lang, and the Secretary of State for Wales, Mr David Hunt, announced in the House of Commons on 23 April that they intended to publish separate consultation papers in the near future (*Hansard*, Vol 189, No 93, cols 927-41 and 918-26).

LOCAL GOVERNMENT FINANCE

Details of the proposed council tax, which would have a personal and property element and replace the community charge, were contained in a separate consultation paper.[1] The Government has confirmed its wish for the tax to be in place in 1993-94.

[1] *Local Government Review. A New Tax for Local Government: A Consultation Paper.* Available free from the Department of the Environment, 2 Marsham Street, London SW1P 3EB; the Scottish Office, New St Andrew's House, Edinburgh EH1 3SZ; and the Welsh Office, Cathays Park, Cardiff CF1 3NQ.

The consultation paper, which is summarised below, says that the new approach 'combines fairness with great simplicity of administration. It overcomes those aspects of both the rates and the community charge which were most criticised. It maintains a clear link between what councils spend and the bills which local residents must pay. It is based upon a balance between central and local taxation which is sustainable in the long term.'

Background

The changes in local government finance made in Scotland in 1989 (see p 97, 1987) and in England and Wales in 1990 (see pp 17-18, 1988) were intended to tackle a number of problems with the previous system of rates. The main shortcoming had been a lack of accountability of local authorities to their electors. In addition, domestic rates were widely regarded as unfair, particularly as they did not distinguish between households of different sizes. In order to deal with these problems, the community charge and associated arrangements were introduced; however, 'the public have not been persuaded that the scheme is fair'. The Government therefore set up a review of local government in December 1990, which considered, among other issues, the operation of the community charge and possible alternatives.

In the Budget on 19 March (see pp 145-52) the Chancellor of the Exchequer, Mr Norman Lamont, changed the balance between central and local financing of local authority expenditure. Local domestic taxpayers would in future be asked to meet the costs of a greatly reduced proportion of such expenditure.

Council Tax

Each household would receive a single bill under the new system. For households consisting of two or more adults, the full bill would normally be payable; single-adult households would receive a 25 per cent discount. Properties would be allocated to one of seven broad tax bands in accordance with their value in relation to the national average in England, Scotland or Wales as appropriate. All properties in the same band would attract the same bill for a standard level of spending whatever their location in the relevant country. (Central government grant would be paid to local authorities to enable them to spend at a standard level by levying a standard amount of council tax. If spending departed from the standard level, the council tax would be below or above the standard amount. In such cases, there would be the same percentage decrease or increase in the bills of all households within the same local authority.)

On the assumption of seven bands, the lowest might include properties valued at up to half the national average while the highest might consist of those valued at more than twice the national average. They might correspond to council tax bills of one-third below the national average and two-thirds above it respectively.

People on low incomes would qualify for rebates of up to 100 per cent. There would thus be no minimum contribution to the tax. Local spending and taxation would be restrained. The new tax would be subject to strong and effective capping.

Shorter Notes

SELECT COMMITTEES

The Lord President of the Council and Leader of the House of Commons, Mr John MacGregor, announced in the House of Commons on 1 May the publication of the Government's response to the Procedure Committee's report on the working of the select committee system[1] (see p 399, 1990). Welcoming the Procedure Committee's report as the first parliamentary inquiry into the present system of select committees, which was set up in 1979 (see pp 176-7, 1979), Mr MacGregor said that the system had been shown to be sound, with no need for major reform. The committees are making an important contribution to parliamentary scrutiny of the executive.

The Government accepts most of the recommendations made by the Procedure

[1] *Government Response to the Second Report from the House of Commons Select Committee on Procedure, Session 1989-90.* Cm 1532. HMSO, £4·55. ISBN 0 10 115322 8.

Committee. Amendments to the standing orders of the House of Commons would be brought forward:

– to increase the size of the Education, Science and Arts Committee and to allow it to appoint a sub-committee to look at science and technology issues; and

– to extend select committee scrutiny to certain matters within the responsibility of the Lord Chancellor's and Law Officers' Departments.

The Government also accepts new proposals for liaison between the work of the Public Accounts Committee and departmental select committees, and for the use of the resources of the National Audit Office by the departmental select committees.

Source: *Hansard*, Vol 190, No 100, col 183.

EXECUTIVE AGENCIES

The Minister of State for the Civil Service, Mr Timothy Renton, announced in the House of Commons on 30 April that the number of executive agencies established under the Next Steps initiative had reached 50 and that more than 200,000 civil servants were working on Next Steps lines (see p 375, 1990). A further 23 candidates for agency status, employing 20,000 people, have been identified. In addition, the Inland Revenue is to establish 33 executive offices with nearly 60,000 staff. He expected over half the civil service to be working on Next Steps lines by April 1992.

Mr Renton reiterated that the Next Steps programme places great importance on improving the delivery of government services for all customers. In order to achieve this, 'agencies are increasingly consulting customers about their needs and where possible tailoring services to meet those needs. Each agency publishes its own annual report describing targets set, providing financial information and setting out what has been achieved.' A second annual review of the programme will be published later in 1991.

The following executive agencies have been established since November 1990:

CADW (Welsh Historic Monuments – Welsh Office)

Rate Collection Agency (Northern Ireland)

Passport Agency (Home Office)

RAF Maintenance (Ministry of Defence – MoD)

Historic Scotland (Scottish Office)

Chemical and Biological Defence Establishment (MoD)

Military Survey (MoD)

Benefits Agency (Department of Social Security – DSS)

Contributions Agency (DSS)

Recruitment and Assessment Services Agency (Office of the Minister for the Civil Service)

Defence Research Agency (MoD)

NHS Estates (Department of Health – DoH)

Scottish Fisheries Protection Agency (Scottish Office)

Directorate General of Defence Accounts (MoD)

Forensic Science Service (Home Office)

Service Children's Schools (MoD)

The following activities have been added to those previously announced by the responsible ministers as under consideration for agency status at April 1991. Their progress varies, with some at a much more advanced and certain stage than others:

Agricultural Development and Advisory Service (Ministry of Agriculture, Fisheries and Food – MAFF)

Agricultural Scientific Services (MAFF)

Central Science Laboratory (MAFF)

Chessington Computer Centre (HM Treasury)

Child Support Agency (DSS)

Fire Service College (Home Office)

Medicines Safety Division (DoH)

Ordnance Survey (Northern Ireland)

Pesticide Safety Division (MAFF)

Pollution Inspectorate (Department of the Environment – DoE)

Public Record Office (Lord Chancellor's Department)

Teachers' Pensions Branch (Department of Education and Science)

The Buying Agency (DoE)

Transport and Road Research Laboratory (Department of Transport)

Valuation Office (Inland Revenue)

Youth Treatment Service (DoH)

Sources: Cabinet Office (Office of the Minister for the Civil Service) News Background Note, NS 1/91, 27.3.91; *Hansard*, Vol 190, No 99, written answers, cols 111-13.

VISA REQUIREMENTS

Revised arrangements for visa nationals[1] who travel abroad and return during a stay in Britain were announced on 17 April by the Home Secretary, Mr Kenneth Baker.

Under existing arrangements, a visa national intending to return to Britain before the expiry of his or her current leave in Britain can obtain a re-entry visa from the Home Office. Mr Baker said that since re-entry visas did not contribute to immigration control, as they were issued without substantive consideration of applications, they did not represent 'an efficient use of resources'.[2]

He pointed out that as returning visitors were eligible to receive a fresh six months' leave on each re-admission, 'a visa national can in theory prolong a visit indefinitely and without effective scrutiny through repeated use of re-entry visas'.

The Government had, therefore, decided that re-entry visas would no longer be issued, with effect from 16 May.[3] Immigration Rules will be amended to extend the visa exemption scheme. This provides an exemption for visa nationals who are settled in Britain or have been admitted for work, study or other long-term purposes. The scheme, presently limited to 11 visa nationalities, will be extended to all visa nationalities.

Mr Baker explained that from 16 May 'any visa national who is settled [in Britain] and returns after an absence of not more than two years, or has been granted a limited leave of more than six months and returns before the expiry date of that leave, will benefit from the exemption. Visitors will remain outside the scope of the exemption scheme.'

In order to provide increased flexibility for those who plan to travel abroad and return during a stay in Britain, Mr Baker announced that a new multiple entry visa valid for six months would be introduced from 16 May. This will replace the existing six-month double entry visa. The existing two-year and five-year multiple entry visas will also remain available.

Source: Home Office news release, 17.4.91.

IMMIGRATION RESTRICTIONS ON IRAQIS LIFTED

On 12 April the Home Secretary, Mr Kenneth Baker, announced the lifting of immigration restrictions on Iraqi nationals.

Changes in immigration arrangements to prevent the admission of new Iraqi students to Britain were introduced in September 1990 (see p 337, 1990). Following the outbreak of hostilities in the Gulf in January (see pp 3-8), the Government suspended immigration facilities for Iraqi nationals wishing to come to Britain or to extend their stay. In addition, all Iraqi nationals in Britain on limited leave were required to register with the police (see p 60).

In view of the suspension of hostilities at the end of February (see pp 95-7) and the United Nations Security Council resolution in early April on ceasefire arrangements in the Gulf (see pp 138-41), Mr Baker said that it was 'now safe and consistent with the national interest for these restrictions to be rescinded ... with immediate effect'.

Mr Baker added that visa applications by Iraqis would continue to be examined closely. The removal of the restrictions would not affect the Home Secretary's powers under the 1971 Immigration Act to detain and deport individuals of any nationality identified as posing a threat to security.

Iraqis admitted to Britain for more than three months for employment, or more than six months for other temporary purposes will

[1] A national of a foreign country who requires a visa for entry into Britain.

[2] About 90,000 re-entry visas are issued annually by passport offices, requiring some 23 staff at an annual cost of £250,000.

[3] Re-entry visas issued before 16 May will remain valid until their normal expiry date.

have to register with the police in the same way as other foreign nationals.

Source: Home Office news release, 12.4.91.

BRITISH CRIME SURVEY

On 12 April, Mr John Patten, Minister of State at the Home Office, announced that the fourth British Crime Survey[1] would be carried out in 1992. He also expressed the hope that it would continue to be repeated on a regular basis.

The British Crime Survey, said Mr Patten, had established itself as one of the main government-sponsored social surveys, proving 'a major source of information over the last decade'. He continued: 'Having facts and figures about the extent and nature of crime is fundamental to building up effective crime prevention measures – and also to establishing the facts behind the headlines.'

The British Crime Survey addresses issues such as the extent of unrecorded crime and the reason for unreported crime. The intention is to provide a fuller indication of the extent of crime in the community than that available from statistics recorded by the police.[2]

Important findings have emerged from previous surveys. For instance, the 1988 British Crime Survey showed that crime rose by 30 per cent between 1981 and 1987, while the police recorded a figure of 41 per cent. The police figure increased more significantly because a greater proportion of victims notified the police in 1987. The same survey also identified how crime is focused among specific groups, young men being most at risk of assault and robbery, and women being more vulnerable to theft from the person.

Source: Home Office news release, 12.4.91.

[1] The three previous surveys were carried out in 1982, 1984 and 1988. The 1988 survey involved one adult in each of 10,392 households in England and Wales being interviewed.

[2] The other main crime statistics, published annually, show the number of crimes reported to the police. If a crime is not reported, it does not feature in the statistics.

WAR CRIMES BILL

A Bill designed to permit the prosecution of alleged Nazi war criminals resident in Britain has become law under the provisions of the 1911 and 1949 Parliament Acts.

The Bill was approved for the first time on 19 March 1990 by the House of Commons in a free vote by 273 votes to 60 (see pp 128-9, 1990) but was subsequently rejected by the House of Lords, which can delay legislation for a year.

The Commons again debated the Bill on 18 March 1991 and approved it on a free vote by 254 votes to 88. Rejected by the House of Lords for a second time on 30 April by 131 votes to 109, the Bill was given Royal Assent on 10 May under the Parliament Acts without further debate by the Commons.

Explaining this procedure on 1 May, the Leader of the House of Commons, Mr John MacGregor, told the House that it would come into play automatically following the second defeat of the Bill by the Lords. The Parliament Act 1911 made it clear that 'only if the House were to direct to the contrary would the Bill not be submitted for Royal Assent'. The Government saw no need for time to be made available for the House of Commons to consider the matter 'yet again'. It had, he pointed out, repeatedly made clear its support for the Bill, on free votes, and by very large majorities.

Sources: *Hansard*, Vol 190, No 99, cols 315-16; Home Office news release, 10.5.91.

External Affairs and Defence

Southern Africa

Britain's policy towards South Africa and the other states in the region was outlined in the Government's reply to a report from the House of Commons Foreign Affairs Committee. The Government's reply was published in May.

Earlier, Britain's support for reforms in South Africa was expressed by the Prime Minister, Mr John Major, at a meeting in London with the South African President, Mr F.W. de Klerk, on 22 April.

GOVERNMENT'S OBSERVATIONS

Britain's primary objective, said the Government in its reply to the Committee, was to help ensure that change taking place in Southern Africa was 'positive and lasting'.[1]

Reforms in South Africa

The Government said that 1990 marked a decisive turning point in South African politics, with:

– the unconditional release of the African National Congress (ANC) leader, Mr Nelson Mandela, and other political prisoners (see pp 63-4, 1990);

– the legalisation of the ANC, the Pan-Africanist Congress and other political organisations;

– the lifting of the state of emergency and restrictions on the press;

– the start of negotiations between the South African Government and the ANC; and

– the suspension of the ANC's 'armed struggle'.

In addition, Namibia became independent (see pp 131-2, 1990).

The process took another significant step forward in 1991 when the South African Government decided to repeal apartheid laws, including the Group Areas Act and the Land Acts.[1] Furthermore, proposals for a multi-party conference to discuss the arrangements for reaching agreement on a new constitution were supported by the ANC and Inkatha (Zulu) as well as the National Party.

The fundamental challenge for the South African Government, the Government said, would be to reach agreement on a new constitution based on universal suffrage and including vital democratic safeguards, such as an independent judiciary and a free press.

British Objectives

The Government's objectives in Southern Africa continued to be to:

– help bring about the end of apartheid and the peaceful transition to a democratic, non-racial, prosperous South Africa;

– promote the peaceful regional settlement of disputes;

– encourage economic development; and

[1] *UK Policy towards South Africa and the Other States of the Region.* First Report from the House of Commons Foreign Affairs Committee, Session 1990-91. Vol. I: Report, together with the Proceedings of the Committee. HMSO, £14·80. ISBN 0 10 274891 8. Vol. II: Minutes of Evidence and Appendices. HMSO, £32. ISBN 0 10 274791 1. *Observations by the Government May 1991.* Cm 1525. HMSO, £2·35. ISBN 0 10 115252 3.

[1] The Group Areas Act provides for the designation of residential areas for occupation by a particular racial group only. Under the two Land Acts, black South Africans are precluded from owning agricultural lands over the greater part of South Africa.

– protect and develop British interests.

The Government sought to achieve the end of apartheid through 'an active dialogue with all elements of the political spectrum in South Africa and through encouraging a positive approach on the part of the European Community and the Commonwealth'. Britain's view was that 'economic growth is essential to South Africa's future; without it, its people may not perceive the benefits of a peaceful transition to a non-racial democracy through negotiations'.

The Government agreed with the Committee that the United States had a key position regarding South Africa's access to the international financial institutions. Britain was in close touch with the United States to explore opportunities for restoring South Africa to a normal commercial and financial environment.

As to sporting links with South Africa, the Government believed that, in accordance with the Gleneagles Agreement,[1] sporting contacts with the country should be resumed sport by sport as the governing bodies there became integrated.

Developments in Southern Africa

Elsewhere in the region the Government was trying to foster the trend towards more accountable government and liberal economic policies, as well as to work for the achievement of peace in Mozambique and Angola. Although Southern Africa faced daunting problems (including civil war, government corruption and mismanagement, skill shortages, rapid population growth and the spread of AIDS) there were developments there which suggested that it also had new opportunities. These included:

– a pragmatic Soviet Union working with the United States to bring peace in the area;

– the process of ending apartheid in South Africa, allowing it to play a positive role in increasing trade and prosperity;

– an increasing recognition that economic growth was an essential prerequisite to a fair distribution of resources; and

– an increasing understanding that 'growth requires less state intervention and more freedom for market forces and that prosperity demands good government and proper accountability of governments to the governed'.

British Assistance

Although these changes of approach provided countries in the region with a sound basis for tackling their problems, the Government pointed out that they still required help. Britain planned to play a full part by providing substantial and carefully targeted aid and military assistance. Already in 1989 the region absorbed about 12 per cent of Britain's bilateral aid; in 1990-91 it received some 60 per cent of Britain's military assistance. This high priority would continue. Furthermore, Britain's position in the European Community and the Commonwealth meant that 'it is well placed to ensure that the needs and potential of Southern Africa are not forgotten'. At the same time, the main impetus for continuing change had to come from the governments and peoples of Southern Africa itself.

Policy towards South Africa

The Government agreed with the Committee that a return to apartheid in South Africa was inconceivable; the issues now were what form of democracy would take apartheid's place and how the transition would be achieved. As the South African Government, the ANC and Inkatha remained committed to the negotiation of a new constitution, there had to be 'a reasonable chance of a political solution to South Africa's problems'. The continued violence in the townships and the problem of exaggerated expectations underlined 'the importance of restoring growth to the economy and of taking steps to ensure that a post-apartheid South Africa can attract finance and investment, not least from overseas'.

Policy towards Southern Africa

Regarding its policy of helping to establish peace in Southern Africa, the Government said that there were signs of progress in the

[1] The Gleneagles Agreement, signed by all members of the Commonwealth in 1977, discouraged sporting links with South Africa.

negotiations in the civil wars in Angola and Mozambique.[1]

The Government's policy of promoting 'good governance' in developing countries recognised the differing needs and circumstances of individual countries. The demand for and impetus towards more accountable governments and multi-party democracy had to come from the people themselves and not be imposed from outside. 'Good Government' was a key factor to be taken into account when assessing levels of aid, its direction and its likely effectiveness (see pp 345-6, 1990). The British Government was ready to give specific assistance to help countries to improve the efficiency and accountability of institutions of government, and to encourage observance of human rights and the rule of law.

The Government accepted the Committee's point that it would be essential to monitor aid programmes closely to ensure full compliance with the terms and conditions of Britain's aid, in the interests of achieving effectiveness and sustainability.

Sanctions

The Government welcomed the Committee's view that the time was fast approaching for Britain to remove all economic sanctions against South Africa and for sporting links to be revived. It also agreed with the Committee that arms and other military sanctions had to remain in force until South Africa adopted a democratic and non-racial constitution. Contacts at all levels with South Africa had to be increased as well.

The Commonwealth

The Government shared the Committee's view that the Commonwealth ought to concentrate on more practical activities in Southern Africa. The Commonwealth could play an important role in supporting democracy and developing respect for human rights. However, the Government pointed out that the majority of the Commonwealth first needed to adjust its approach to South Africa to take account of recent changes there.

Britain would support any application from a post-apartheid South Africa to join the Commonwealth, the Government said.

International Debt

Britain was continuing to press other Paris Club creditors for early agreement to increase substantially debt relief for the poorest countries pursuing economic reforms, on the basis of Britain's proposals made in September 1990 (see pp 346-7, 1990). An important objective was to ensure that the creditors reduced debt in line with a debtor's capacity to pay. This would improve incentives for policy reform in debtor countries and for a resumption of inward private investment. The Government would also continue to discuss with European partners arrangements for dealing with debts owed to the European Development Fund.

Aid

The Government recognised the need for humanitarian assistance for emergencies in Angola and Mozambique, and was making additional commitments of food and other relief aid totalling £5·7 million. The Government would continue to play a full part in the international relief effort (see p 186).

On the Committee's recommendation to continue Britain's steady growth in aid programmes in South Africa, the Government had already announced in 1990 an additional £10 million over four years, primarily for education and urban and rural projects. It also agreed that a greater proportion of its aid to education should be directed towards technical education.

Trade

Referring to the Committee's emphasis on stimulating foreign trade and attracting new investment, the Government pointed out that it took every opportunity to explain to countries in the region that trade liberalisation was necessary to allow the private sector to expand. Together with an easing of the

[1] In Lisbon, negotiations for a ceasefire continued between the Angolan Government and the nationalist movement *Uniao Nacional para a Independencia Total de Angola* (UNITA). Under an agreement signed in 1988, forces from South Africa, which was supporting UNITA, were withdrawn; Cuba, which had been supporting the Marxist Government in Angola, agreed to a phased withdrawal of its troops, to be completed within three years.

rules on foreign investment, moves such as these were vital to the region's future economic well-being.

PRESIDENT DE KLERK'S VISIT

Mr Major and the Foreign and Commonwealth Secretary, Mr Douglas Hurd, met President de Klerk on 22 April. Mr Major welcomed the introduction of legislation by the South African Government to remove apartheid laws and its proposals for multi-party discussions, expressing his hope that progress towards constitutional negotiations would continue. Mr de Klerk said that he expected that the apartheid laws would be repealed by the end of June 1991, and he reaffirmed his Government's commitment to the release of political detainees and to the return of exiles.

Mr Major made clear Britain's view that international sporting contact should be resumed in cases where sport unity on a non-racial basis had been achieved in South Africa. The two leaders welcomed the recent agreement to establish a new non-racial governing body for cricket. Britain was making an immediate grant for the purchase of cricket equipment in the African townships.

Iraqi Refugees

Britain has proposed the deployment of a United Nations police force to replace the allied forces protecting Kurdish refugees in northern Iraq from President Saddam Hussein's regime. Further aid is being supplied by the British Government to help the refugees.

Establishment of Kurdish Safe Havens

On 22 April the Foreign and Commonwealth Secretary, Mr Douglas Hurd, confirmed that the decision by Britain, the United States and France to send limited forces into northern Iraq to establish safe havens for Kurdish refugees 'was and remains entirely humanitarian' (see pp 142-3). He added: 'We would like to hand over the task of guarding these camps which are now being built[1] to the United Nations when that can be achieved.'

The deployment of allied troops on a temporary basis was intended to provide the security necessary to persuade the refugees to come down from the mountains on Iraq's northern borders and later to return to their homes.

Speaking in the House of Commons on 24 April (*Hansard*, Vol 189, No 94, cols 1075-6), Mr Hurd emphasised that Britain had 'no desire to dictate or arrange either the map of Iraq or its constitution', although the Government believed that the Kurdish people should have autonomy within the boundaries of Iraq.

British Troop Deployment

On 24 April the Secretary of State for Defence, Mr Tom King, gave further details of Britain's contribution to 'Operation Haven' to protect Kurdish refugees (see p 143). Once fully deployed, the commando brigade would total about 4,500 to 5,000 personnel. Of these, 400 would be Dutch marines.

Mr King said that the brigade would be involved in relief operations in the mountains on the Iraq/Turkey border, including helping displaced Kurdish refugees make their way to the new camps. British forces would also provide security for the camps, within which international relief organisations could operate.

British Proposal for a UN Police Force

On 28 April, Mr Hurd proposed the deployment of a United Nations civilian police force to replace the allied troops protecting the Kurdish refugees. 'We are trying to move as quickly and effectively as we can to get the UN into these camps while keeping the kind of protection for the Kurds which at the moment British and other troops provide.' He continued: 'It may be easier to do this by the route of a UN police force, for which there is a precedent ... in Cyprus in 1964,

[1]The first camp at Zakho was established by early May. Work was in hand on the second camp at Suriyah and the establishment of a third around Amadiyah was under consideration. Iraqi forces will not be permitted within 30 km (18·6 miles) of the camps.

rather than through a full-bodied ... fully organised peacekeeping military force.'

The proposal received the support of Britain's European Community partners and is being pursued at the United Nations. Britain believes that if the proposal is to succeed, the initiative must be taken forward by the UN Secretary-General.

Iraqi Position

In a memorandum of understanding signed with the United Nations on 18 April, the Iraqi Government agreed to the establishment of UN humanitarian centres to provide relief aid to refugees in the border areas. The centres would be staffed by UN civilian personnel and personnel from other humanitarian organisations.

On 21 April the Iraqi Government claimed that the allied camps were no longer necessary or justified following the agreement to establish UN humanitarian centres, and that the presence of foreign forces on Iraqi soil was a violation of national sovereignty. Britain considers that the establishment of the safe havens is fully consistent with the objectives of UN Security Resolution No 688 (1991) (see p 141).

The British Government has viewed the progress of political negotiations taking place between Kurdish leaders and the Iraqi Government with caution. On 25 April a spokesman for the Foreign & Commonwealth Office said that Britain would welcome a just settlement of the longstanding problem of respect for the minorities in Iraq. He added, however, that the Kurds were under no illusions as to the nature of President Saddam Hussein and his regime.

On 29 April the Iraqi Revolution Command Council issued a decree granting Iraqi Kurds 'a general and full amnesty', superseding the limited amnesty announced earlier in the month (see p 142).

Refugees in Southern Iraq

The United Nations High Commissioner for Refugees (UNHCR) has assumed responsibility for refugees in southern Iraq as United States forces have withdrawn (see p 142). An agreement has been reached between UNHCR and the Saudi Arabian Government on the establishment of refugee camps on Saudi territory. UNHCR is negotiating with the Kuwaiti Government, with British encouragement, to provide similar shelter for refugees.

British Relief Aid

By the beginning of May, Britain's financial assistance to the victims of Iraq's aggression since the invasion of Kuwait on 2 August 1990 (see pp 277-80, 1990) amounted to over £80 million. The total included over £62 million to Iraqi refugees since 4 April (see p 142) comprising:

– £31 million for airdrops of relief supplies and the cost of 'Operation Haven';

– £15 million to the United Nations and non-governmental organisation relief operations;

– £12 million to the European Community's relief programme; and

– funds to the Turkish Government for local purchase of relief supplies.

By 2 May, Britain had sent over 450 tonnes of relief supplies to Iran[1] and about 590 tonnes to Turkey. Royal Air Force aircraft and helicopters had dropped over 1,430 tonnes of supplies direct to refugee camps.

In addition, Britain is providing two field health centres for Iran, in west Azerbaijan, and sending nine teams of volunteer medical and other aid workers to help Iraqi refugees.[2]

European Bank for Reconstruction and Development

Britain welcomed the establishment of the European Bank for Reconstruction and

[1] The Minister for Overseas Development, Mrs Lynda Chalker, visited Turkey and Iran from 18 to 21 April to assess the needs of the Iraqi refugees. Addressing the House of Commons on 22 April (*Hansard*, Vol 189, No 92, cols 773-5), Mrs Chalker said that there were more than 1·2 million Iraqi refugees in Iran and that the number of British relief flights to Iran would be doubled to four a week.

[2] The Overseas Development Administration and the European Community are jointly funding the deployment of 20 mobile support teams overall.

Development at an inauguration meeting of its members in London in April 1991.

Prime Minister's Statement

Speaking at the meeting on 15 April, the Prime Minister, Mr John Major, said that the European Bank's inauguration symbolised 'a new beginning for the countries of Europe'. It stood as 'a monument to European co-operation', and underlined 'the central role that Britain intends to play within Europe' (see p 209, 1990).

Mr Major said that, while the rest of the world watched in admiration at the first free elections in Central and Eastern European countries in 40 years (see pp 130-1, 1990), it had also recognised that without economic reform in that region there would be no lasting prosperity. The West could not pretend that the movement to a free market economy would be easy or painless, but it could help 'make that transition a little easier and a little less painful'.

The European Bank was unique in having an explicit political aim: to bolster democracy in Eastern Europe. Its membership had to be closely involved in the conduct of the bank's business, and Britain would certainly be maintaining a close and very supportive interest. The bank would focus on the private sector, fostering new business, encouraging competition and promoting better business practices. 'It will in short be helping those sectors in Eastern Europe which have been the backbone of success in Western Europe for the last 20 years', emphasised Mr Major. The West was doing what it could to help. Although Britain, through its know-how fund (see p 186), 'can train talent, [and] ... lend money . . . we cannot instil the will to reform, that has to come from the countries of Eastern Europe themselves'.

Background

The idea of the European Bank came from France in October 1989. In May 1990, a number of countries (including Britain), the European Commission and the European Investment Bank[1] signed an agreement establishing the bank. The agreement entered into force on 28 March 1991.

Aims of the European Bank

The purpose of the bank, whose head office is in London (122 Leadenhall Street, EC3V 4QL), is:

– to foster the transition towards open market economies in Central and Eastern European countries;

– to promote private and entrepreneurial initiatives there; and

– to help the region's economies integrate into the international economy.

Activities

The bank plans:

– to co-ordinate and participate in the financing of technical assistance, the transfer of technology and training;

– to advise governments on the steps and policies necessary for the development of an appropriate business environment – in particular, assisting in the restructuring and privatisation of state-owned industry;

– to finance the upgrading of infrastructure to support the functioning of modern, competitive market economies; and

– to participate in the establishment of sound financial organisations to aid the transition to a market-based economy, including the development of an efficient banking system and capital markets.

The new European Bank will also be involved in:

– the management of public projects, revenues from which would become the basis for private sector financing; and

– the promotion of trade and projects, not only within the Central and Eastern European region but also with the rest of Europe, with the emphasis on transport, telecommunications, energy and the environment.

Capital

The initial capital of the bank will be ECU 10,000 million (about £6,900 million) of which 30 per cent will be paid in five equal annual instalments, starting in 1991. The United States is the largest individual

[1] This bank provides finance on a non-profit-making basis for investment to develop the Community's less favoured regions, modernise industry and help projects of common interest to two or more member states.

shareholder, with 10 per cent of subscribed capital, followed by Britain, France, Germany, Italy and Japan, which each hold 8·5 per cent of the shares. Central and Eastern European countries will have nearly 12 per cent in total, with the Soviet Union holding a half of these shares (6 per cent).

Membership

Membership of the bank is open to European countries as well as to non-European countries which are members of the International Monetary Fund.

Relations with Poland

In a Joint Declaration between Britain and Poland, signed by the Prime Minister, Mr John Major, and the President of Poland, Mr Lech Walesa, in London on 24 April, the two countries agreed 'to work together to construct a united, free Europe, based on a shared commitment to democratic values and aspirations, and on respect for the rule of law'.

Joint Declaration

European Community

The Joint Declaration said that Britain and Poland would 'strive for a closer political and economic relationship between the new democracies of Central and Eastern Europe and the European Community'. The two countries also welcomed the negotiations between the European Community and Poland on an association agreement [which began in December 1990 – see pp 98-9]. Such an agreement would provide 'a liberal and comprehensive framework' for the development of relations as political and economic reforms in Poland were pursued. The option of full membership of the Community would be available to Poland when it was able to meet the political and economic obligations which membership entailed.

European Security

Reaffirming their commitment to the Conference on Security and Co-operation in Europe (CSCE – see pp 417-20, 1990), Britain and Poland also supported the further strengthening and deepening of the CSCE process.

Political and Economic Co-operation

Britain and Poland would maintain regular exchanges on bilateral and European relations, and on trade, economic and cultural matters. They would also work together with others to promote the process of political reform and the development of a market economy in Poland.

In the Joint Declaration, Poland recognised the role of Britain in negotiating the Paris Club reduction of Poland's bilateral official debt (see footnote to p 346, 1990) and welcomed Britain's readiness (at the Paris Club discussions in April) to write off some £750 million of Poland's debt.

Poland acknowledged the importance of the know-how fund (see p 186), to which Britain had already committed £50 million. Both governments will encourage economic and industrial co-operation. The British Government agreed to continue to encourage British companies to consider investing in Poland and will keep under review the question of medium-term credit.

Cultural Co-operation

Referring to the new opportunities for co-operation in culture, education, and science and technology, the Joint Declaration said that the British Council would continue to play a full part in this field – in particular, through its programme of training English language teachers and teacher trainers in Poland.

Environment

Britain and Poland would also work together to enhance bilateral and multilateral co-operation on environmental issues, both to improve the environment and to balance economic activity with environmental protection.

Education Aid to Poland

The Foreign & Commonwealth Office is to collaborate with the City of London and the University of London in a new jointly funded scholarship scheme for Polish postgraduate

students. Already, some £250,000 is available to Polish students in 1991-92, part of £1·4 million being spent on scholarships and awards for students from Eastern and Central Europe and the Soviet Union.

Know-how Fund

Some £10 million from the know-how fund is available for industrial projects in Poland. Of this sum, over £3 million is being spent on helping the banking and finance sector; a further £2 million is committed to or has been spent on privatisation. The main part of the fund is financing British bankers, accountants and lawyers to survey the structure, finances and investment potential of four enterprises – a loudspeaker factory, a glassworks, a steel processing plant and a paper machinery factory.

The know-how fund for Poland is being used to deal with the employment implication of industrial restructuring, development of small businesses, management training and English language teaching. In addition, £15 million has been given for a Polish agricultural project. Other areas where projects are being supported include energy, the environment, local government, planning, telecommunications and the police.

Britain is also operating know-how funds in Hungary, Czechoslovakia and Bulgaria, as well as a similar fund of £20 million available over two years for the Soviet Union (see pp 13, 131 and 425, 1990). Two other schemes, financed by know-how funds, are for British companies planning investment in Eastern Europe.

British Emergency Aid

Britain has provided emergency assistance in response to famine and civil war in Africa and a cyclone in Bangladesh.

Africa

In April, Britain gave food and other emergency assistance to Sudan worth £7·2 million – 20,000 tonnes of food aid (worth £5·2 million) and £2 million in non-food humanitarian assistance. The aid is to be channelled through British non-governmental organisations and United Nations bodies, including the World Food Programme and the United Nations Children's Fund. Another donation of 20,000 tonnes of food aid to Sudan had been announced in March.

Nearly 43,000 tonnes of food aid to Ethiopia was provided by Britain in January and March, to be distributed by the charities Oxfam, Christian Aid and the Catholic Fund for Overseas Development, and by the World Food Programme. Britain's response to appeals for emergency aid in Sudan, Ethiopia and other countries in the Horn of Africa since September 1990 totals £32·4 million. In addition, the British Government has financed 20 per cent (£12·3 million) of the cost of channelling 190,000 tonnes of food through the European Community to Ethiopia since November 1990. A further 400,000 tonnes for African famine relief was agreed by the Community in May. Also in May the Government gave £1 million to the International Committee of the Red Cross for relief aid in Somalia.

In February and April, Britain made available 6,000 tonnes of food to Mozambican refugees in Malawi, to be distributed by the World Food Programme.

Bangladesh

A severe cyclone struck the south-eastern coastline of Bangladesh on 29 April. The cyclone, and a 20 ft (6 m) tidal wave which followed it, caused the death of at least 138,000 people. Millions of people have been made homeless and their land flooded.

Britain is giving £1·25 million to buy food, tents, blankets and other emergency supplies in Bangladesh as part of a European Community pledge of £7 million. Britain is also to give a further £3·25 million directly to aid agencies. A sum of £2 million, bringing Britain's contribution to the disaster to £6·5 million, was announced in the House of Commons by the Minister for Overseas Development, Mrs Lynda Chalker, on 8 May (*Hansard*, Vol 190, No 103, cols 723-4). It will be used to send additional relief supplies, two Royal Navy helicopters and a Royal Fleet Auxiliary ship with medical facilities.

Economic and Scientific Affairs

Employee Involvement

The Government's proposal for a new European initiative on employee involvement was presented to a European social affairs ministers meeting in Luxembourg on 6 May. It aims to encourage companies to ensure the effective involvement of their employees in the way that best suits their particular business.

British Proposal

Announcing the proposal on 22 April at a conference to launch a campaign on employee involvement jointly with the Confederation of British Industry, the Secretary of State for Employment, Mr Michael Howard, said that the best way for the European Community to develop it effectively would be to spread awareness of the variety of successful forms. His proposal, which might ultimately become a recommendation from the Council of Ministers, would have five aims:

1 to commit all employees to the success of the business they work for;

2 to enable the business to adapt to changing market requirements and improve its prospects;

3 to increase job satisfaction;

4 to improve performance and productivity by drawing upon the skills and knowledge of all employees; and

5 to give all employees the opportunity to contribute to the development of their company.

These aims would underline the importance of allowing a diversity of approaches to employee involvement in line with the law of each member state and could, he said, command widespread support. The present European Commission proposals for a directive on works councils were fundamentally flawed. They wrongly equated employee involvement with participation in formal decision-making machinery, and did nothing to meet the challenge of helping managers communicate with each and every employee.

The best British companies, the Secretary of State said, were among European leaders in employee involvement. Few other countries could claim such a diversity or flexibility of approach. There had already been remarkable progress in extending financial involvement, with nearly 2,000 approved all-employee share ownership schemes in operation. Over 2·2 million employees had benefited, receiving options on shares with an initial value of more than £6,500 million. Proposals for the further extension of profit-related pay and employee share-ownership had been made in the Budget (see pp 145-52).

Meeting of Social Affairs Ministers

The proposal was presented to an informal meeting of the European Community social affairs ministers on 6 May. Mr Howard said that he was taking the opportunity to table his plan as a practical and flexible alternative to the directive on European works councils proposed by the Commission. This latter plan would, he said, amount to a 'legislative straitjacket'. Britain's policy was voluntary and adaptable, encouraging companies to ensure effective involvement and giving them the freedom to decide what arrangements were best for their own needs. There was a variety of approaches to employee involvement within the Community. A Council

recommendation setting out the range of best practice was therefore the way forward.

The meeting also discussed other proposals under the Commission's social action programme (for European Commission proposals on a 'social charter', see pp 271 and 458-9, 1989). Mr Howard said that some of these were highly damaging, in that they would add to business costs, undermine competitiveness and put jobs at risk. It was important to do nothing that would impede the tasks of European businesses in creating employment for those currently without work. The Government continued to support a social dimension to the Community, focused clearly on jobs and employment, and on this basis would continue to contribute actively to the discussion.'Our record on implementation of directives already agreed in the social area is second to none – the most convincing evidence of our commitment to ensuring sensible progress.'

Industrial Policy

The objectives of the Government's industrial policy for the 1990s were set out by the Secretary of State for Trade and Industry, Mr Peter Lilley, in a speech to the Institute of Directors on 30 April.

Mr Lilley said that the Government's industrial policy differed fundamentally from the 'corporatist approach' which had been unsuccessfully pursued in the 1960s and 1970s. He rejected a policy of state direction or intervention in industry, through subsidies, tax privileges, protection or exhortation, for four reasons:

1 Interventionist policies, he said, which assumed government's superior wisdom to that of managers and investors, had failed in the past to foster successful industrial ventures, channelling funds into declining industries rather than new ones.

2 The belief that competition weakens, whereas monopoly, protection and subsidies strengthen an industry was contrary to experience. Adopting the British car industry as an example, Mr Lilley pointed out that almost every kind of government support and intervention in the 1960s and 1970s had failed to arrest a decline in output of nearly a half. However, the industry had since responded to the restoration of private ownership, to new competition and the cutting of subsidies, with the result that output was set to double.

3 Industry itself rejected any return to the corporate state.

4 The claim that other countries' industries owe their success to corporatist intervention was 'a myth'. Mr Lilley explained that Japanese industry was highly competitive, consequently highly innovative, and independent of Japanese government direction.

German industry, he continued, was characterised by strong competition in its major sectors, based on a commitment to open trade. In the few cases where German state aids were targeted to particular industrial sectors, they had failed to generate profitable, self-sustaining businesses.

Mr Lilley underlined the move away from interventionism in Europe. In November 1990, European Community (EC) industry ministers adopted a set of guidelines for the Community's future approach to industrial issues. They emphasised the need for open markets and a favourable business environment, the inefficiency of sectoral measures, the need to control state aids and the importance of the single market programme (see p 376, 1990).

The most conclusive evidence, he added, of the failure of state intervention was provided by the experience of the Eastern European countries [under communist rule], whose industries lagged 20 years behind their Western counterparts.

INDUSTRIAL POLICY FOR THE NEXT DECADE

The Government's industrial policy, the Secretary of State continued, was 'to foster and extend the competitive environment, thereby encouraging innovation which is the engine of growth'.

Role of Government

Mr Lilley said that it was the Government's role to:

– encourage and sustain competitive markets, by providing a framework of law and property rights (including intellectual property rights[1]) and by resisting monopoly power, cartels and restrictive practices;

– secure fair access for British exports through trade negotiations with foreign governments;

– protect customers and investors from fraud or commercial failure through regulation in certain markets;

– contribute to the often high cost of pure and pre-competitive research, the benefits of which were 'usually unpatentable and widely diffused', deterring investment by industry;

– restrain some industrial activities which imposed environmental costs on others;

– provide a channel, through British diplomatic representation abroad, for information and influence of benefit to exporters; and

– maintain a two-way channel of communication with industry.

Mr Lilley said that the unnecessary ownership or over-regulation of industry by the state restricted the operation of market choices. A programme of deregulation, privatisation and contracting out was therefore called for.

To tackle the challenges of the 1990s, he had issued revised objectives for the Department of Trade and Industry (DTI), placing greater emphasis on competition, innovation, deregulation and the DTI's role in providing a channel of communication with business.

Competition Policy

Noting the importance of competition policy,[2] Mr Lilley said: 'Competition is what ensures that the motive force of private self-interest is harnessed to the common good. In a competitive market businesses can only flourish by satisfying their customers, reducing their prices and raising their quality.'

He rejected arguments that domestic competition fragments industry, leaving it too weak to face competition from abroad, and that domestic producers should be allowed to merge or collude to create 'national champions' better able to compete abroad. He believed that 'it is vigorous competition in home markets which makes industry competitive globally; domestic monopoly and protection from foreign competition ultimately undermine its competitiveness'.

To sustain competition, the Government was 'applying the competition machinery vigorously, including the regulation of mergers'. Mr Lilley said that 28 merger proposals had been referred to the Monopolies and Mergers Commission in 1990 – twice as many as in 1989.

Privatisation

Privatisation remained a key part of the Government's industrial strategy.[1] Mr Lilley said that virtually all of the 44 businesses transferred to the private sector since 1979 – over 60 per cent of state industry – had improved output, profits, investment and industrial relations. 'Billions of pounds in public subsidies to uncompetitive, loss-making companies have been replaced by valuable tax revenues from newly invigorated, profitable enterprises.'

Millions of shareholders had invested in these companies, with the result that, since 1979, the number of individual shareholders had trebled to reach 11 million.

He continued: 'We believe that it is the combination of private ownership and effective competition which delivers the best results. Therefore, our programme of privatisation should be viewed in parallel with our policy of promoting competition.'

Even where some former state industries retained an element of monopoly power, privatisation was beneficial since it permitted the separation of the ownership and regulation of a business. Mr Lilley acknowledged that the Government must ensure that the benefits of increased efficiency were delivered to the customer as well as to the shareholder.

[1] Patents, designs, trade marks and copyright.

[2] For further details see FCO fact sheet *Competition and Markets in the British Economy*, No 320/90.

[1] For further details see FCO reference paper *Britain's Privatisation Policy*, No 245/90.

He maintained that the British telecommunications market, the most competitive in the world, well illustrated the advantages of privatisation and promotion of competition in terms of lower prices, more choice and better service. He added that there were more benefits for the customer still to come, as outlined in the White Paper on telecommunications policy for the 1990s (see pp 108-9).

Trade Policy

Mr Lilley noted that Britain exported nearly a quarter of all the goods and services it produced (exports per head of population exceeding that of Japan). He said that it was 'a paramount national interest to maintain a free and open world trading system'.

The Government was playing a leading role in promoting the single European market, alerting British firms to its challenges and opportunities, and had opposed attempts to turn the European Community into an insular trading bloc.

Recognising the need for a non-inflationary stimulus to the world economy, Britain was also pressing for a successful outcome to the Uruguay Round of the General Agreement on Tariffs and Trade (GATT – see pp 22-3). Mr Lilley said that the reduction of trade barriers would mean more activity at lower prices. Britain was urging its EC partners and all parties to GATT to complete the round before the end of 1991.

Regulation and Protection

'The best protection', said Mr Lilley, 'for customers, creditors and investors is choice and competition.' He continued: 'Competitive markets cannot work effectively if they are over-regulated. But they cannot work at all without a framework of law to uphold property rights, enforce contracts and condemn fraud.' He added that the integrity of markets needed to be further enhanced by measures to protect customers from avoidable business failures, deception and unsafe products.

The Government considered that regulation of markets should be as simple and effective as possible without imposing excessive burdens on those trading within the rules. As an example, Mr Lilley explained that in the field of product safety the Consumer Protection Act 1987 (see pp 162-3, 1987) imposed a *general* safety requirement on suppliers of *all* consumer products, replacing detailed regulations covering different types of product.

Other aspects of regulation for consumer and investor protection, he said, tended to concentrate on ensuring the disclosure of relevant and comprehensive information to the customer.

Deregulation

The Government, said Mr Lilley, would continue to counter bureaucracy. Deregulation would remain a key part of its industrial policy, 'opening up new opportunities for enterprise and consumer choice'.

A review of government controls had been announced in December 1990 (see p 32), targeting in particular the tax and accounting regimes affecting small businesses. The Government was also pressing the European Commission and Britain's EC partners to give more consideration to the process of costing the business implications of regulatory proposals.

He added: 'We shall continue our drive to see that deregulation remains high on the agenda of all [government] departments.'[1]

Manufacturing

Underlining the continued importance of manufacturing in Britain in the 1990s, Mr Lilley said that he could not imagine 'a healthy British economy without a vigorous manufacturing sector'.

He explained that manufacturing had 'suffered disproportionately from the maladies which afflicted the British economy in the 60s and 70s and earlier'. The 1980s, however, had witnessed a recovery, in which manufacturing productivity grew more rapidly than in any of the other major industrial countries, even Japan.

Mr Lilley pointed out that in the 1980s:

– the volume of British manufactured exports grew by nearly 60 per cent;

– British manufacturers held their share of world markets, as France, the Federal Republic of Germany, the United States and Japan

[1] On 13 May the DTI published *Cutting Red Tape for Business*. Available free from the Deregulation Unit, DTI, 1-19 Victoria Street, London SW1H 0ET.

lost their market share to the newly industrialised countries; and

– Britain attracted almost 40 per cent of all inward investment flows in the European Community, demonstrating that 'Britain now has a more attractive environment for manufacturing industry than any of our EC competitors'.

The revival of British manufacturing was reflected in the fortunes of the car industry, which recovered in the 1980s from its seemingly terminal decline. Three major Japanese car manufacturers had chosen Britain as their European base, and established companies had improved their export performance.

Sustaining Revival

In order to sustain the resurgence of manufacturing in the 1990s, Mr Lilley stressed that Britain must:

– 'avoid returning to the policies which sapped its strength through much of the post-war period';

– pursue the reforms of the education system (see pp 40-4) and skills training (see pp 385-6, 1990); and

– foster innovation.

Innovation

Investment in Research and Development

Emphasising the importance in the 1990s of business investment in effective research and development (R & D), Mr Lilley pointed out that the resources and incentive to invest were dependent on business profitability. 'It is no accident that following the recovery in profitability, business spending on R & D rose by nearly a half in six years.'

Recognising the limitations of the market to generate adequate investment in pure or pre-competitive R & D, he acknowledged the Government's role in supporting R & D expenditure. Government spending on civil R & D totalled some £3,000 million a year.

Science Parks

Britain had won more Nobel Prizes in science than any other country except the United States, said Mr Lilley, but had been less successful at converting its academic talent into commercial and industrial success. He continued: 'We have to ensure that industry and the science base work more closely together. Science parks[1] attached to universities are one way to do that.'

Since 1979 the number of science parks had increased from two to 39, and a further 22 were planned. 'They have been remarkably successful in generating new products, processes, firms and activities.'

DTI Programmes

Mr Lilley noted that recent DTI programmes to encourage innovation in smaller and medium-sized firms, such as Support for Products under Research (SPUR – see pp 113-14) and the Technical Action Line, were welcomed by industry.

The Government was also examining LINK (see pp 33-4) and other schemes for collaborative R & D support in order to make them more accessible. LINK schemes, he added, were gaining momentum, with £170 million committed by the Government through 27 programmes.

Mr Lilley said that further improvements and extensions to the DTI's innovation programmes were projected, such as support for:

– an 'R & D Scoreboard' to heighten awareness among financial analysts of the relative performance of companies in research and development; and

– an 'Innovation Plans Handbook' to encourage companies to manage innovation more effectively.

Enterprise Initiative

Mr Lilley considered that the strengthening of small and medium-sized firms would be of particular importance in consolidating Britain's industrial base in the 1990s.

Before the DTI's Enterprise Initiative (see pp 58-9, 1988), he believed that many smaller firms were neither experienced nor confident in drawing on business expertise from outside consultants. 'The Enterprise Initiative has helped change the culture towards using expert advice', attracting some 78,000

[1] Science parks provide both existing and new businesses using high technology with an environment in which they have easy access to the research expertise of higher education institutions. They are situated at or near universities or similar establishments.

applicants for assisted consultancy in three years.

In addition to consultancy, Mr Lilley explained that other schemes under the Enterprise Initiative provided information to business about new methods, opportunities and management skills. 'Our role is not to tell business what to do, but to encourage the spread of best practice from one business to another.'

He added that the Enterprise Initiative was also providing help to companies, particularly small firms, seeking to improve their quality management systems. He maintained that the British standard for Total Quality Management had effectively become the European and international standard over the last decade.

Regions and Inner Cities

Mr Lilley said that the problems which had beset industry during Britain's relative economic decline from the 1870s to the 1970s were particularly prevalent in the older industrial regions and cities, resulting in structural weakness. This weakness was reflected in 'a comparatively low rate of new business formation, the slow spread of new management ideas and of new technologies, and a less skilled workforce. DTI therefore has an important role to play in changing this culture.'

Over the last ten years the Government had improved the cost-effectiveness of its regional support through a more selective approach, cutting out automatic regional grants (see pp 390-1, 1989). By attracting investment, including foreign investment, new skills and business methods were introduced to regional economies.

As an example, Mr Lilley explained that the attraction to Britain of 'high-tech' Japanese companies brought 'not only new jobs and new skills into our regions but also the infectious example of new management methods into our boardrooms and new technologies into our factories'.

He continued: 'But the biggest factor affecting our regional economies is the state of the national economy.' Following the Budget (see pp 145-52), Britain had the lowest corporation tax rate of any major country, reflecting the Government's belief that low tax rates were more attractive to potential inward investors than high state grants.

Mr Lilley maintained that the primary means of securing economic prosperity in the regions were a stable economic climate and open markets in which enterprise could flourish.

Export Promotion

Mr Lilley said that Britain's diplomatic staff abroad were well placed to help exporters through the provision of advice and information, and where necessary by making representations to the government authorities concerned.

Changes in the management of government export services had been introduced at the beginning of April. Mr Lilley explained that the DTI and the Foreign & Commonwealth Office had formed a Joint Directorate designed to improve the quality of services to exporters by integrating resources and accelerating decision-making. The Joint Directorate would be responsible for providing 'a fully integrated worldwide package of export services to exporters under a new brand name – Overseas Trade Services'.

Cross-border Acquisitions and Mergers in 1990

In 1990 the number of acquisitions and mergers carried out by British companies overseas fell by about a quarter, while their total value was reduced to about half the figure for 1989. The number of such transactions by overseas companies in Britain remained about the same, while their value rose slightly.

The Central Statistical Office published figures on 28 March[1] which record cross-border acquisitions and mergers in 1990 and revisions of the figures previously published for 1988 (see pp 148-50, 1989) and 1989 (see pp 139-42, 1990). During 1990, 529

[1] *Cross Border Acquisitions and Mergers (Quarter 4 1990)*. Central Statistical Office, *Business Bulletin* No 23/91.

acquisitions of, and mergers with, overseas companies by British companies were valued at £11,696 million, compared with the revised total for 1989 of 681 acquisitions and mergers, valued at £22,621 million (see Table 1).

Mergers and acquisitions in Britain by foreign firms numbered 160, compared with 162 in 1989. Their value rose to £11,231 million in 1990 from £10,861 million the year before. While the value of acquisitions and mergers overseas by British companies fell by about one-third between 1988 and 1990, the value of such activity by overseas firms in Britain almost doubled.

Major Transactions

The largest transactions in 1990 by British firms were again in the United States. Among the major ones were:

– Hanson's acquisition of Cavenham Forest Industries for £660 million and of the Peabody Holding Company, the largest United States coal producer, for £438 million; and

– the tobacco retailing and financial services company BAT's sale of its interest in the retail department store, Saks Fifth Avenue, in a deal valued at £913 million and in Marshall Field, another retail firm, in a sale valued at £630 million.

Large acquisitions in Britain by overseas firms included:

– that of the Yorkshire Bank by National Australia for just under £1,000 million;

– that of the paper packaging manufacturer Reedpack by the Swedish pulp and paper company Svenska Cellulosa for a similar amount;

– Deutsche Bank of Germany's purchase of the merchant bankers Morgan Grenfell for £950 million; and

– the Japanese computer manufacturer Fujitsu's purchase of a majority shareholding in computer manufacturer ICL for £700 million.

Area Analysis

Details by country and region of acquisitions and mergers overseas by British companies are given in Table 2. In 1990 there were 220 such transactions in the European Community and 170 in the United States, both figures sharply lower than those for 1989. The value of transactions in the Community and the United States accounted for 86 per cent of the value of British acquisitions and mergers worldwide in 1990. The value of transactions in the United States fell by two-thirds in 1990 compared with 1989, while Community transactions increased by a third over the same period. France, the Netherlands and Germany continued to be favoured sites within the European Community for British acquisitions and mergers in 1990, attracting 41 per cent, 19 per cent and 17 per cent respectively of the value of transactions there. The United States and European Community countries each accounted for about one-third of disinvestments (disposals of subsidiaries) worldwide by British firms in 1990, while 70 per cent of the value of such disposals was concentrated in the United States and Canada.

Both the number and the value of acquisitions of, and mergers with, firms in Britain by foreign companies remained at roughly their 1989 levels in 1990 (see Table 3). Firms from France, Japan, Germany and Sweden

Table 1
Summary of Cross-border Acquisitions and Mergers

Values: £000 million

	Transactions overseas by British companies				Transactions in Britain by overseas companies			
	Acquisitions		Disposals		Acquisitions		Disposals	
	Number	Value	Number	Value	Number	Value	Number	Value
1988	606	17·3	111	3·9	94	5·7	21	0·7
1989	681	22·6	134	3·7	162	10·9	22	3·0
1990	529	11·7	107	5·4	160	11·2	23	1·2

Table 2
Cross-border Acquisitions and Mergers by British Companies Analysed by Ar

	Acquisitions			
	1988[a]		1989	
	Number	Value	Number	Value
European Community	**191**	**1,764**	**284**	**2,730**
Belgium and Luxembourg	–	–	24	149
Denmark	–	–	4	7
France	–	–	74	557
Germany[b]	–	–	56	567
Greece	–	–	4	4
Irish Republic	–	–	6	32
Italy	–	–	22	260
Netherlands	–	–	55	677
Portugal	–	–	6	25
Spain	–	–	33	451
North America	**311**	**14,211**	**293**	**18,512**
Canada	21	483	27	969
United States	290	13,728	266	17,543
Other developed countries	**66**	**1,159**	**80**	**1,026**
Australia	–	–	37	830
Austria	–	–	2	—
Japan	–	–	6	8
New Zealand	–	–	9	149
Sweden	–	–	2	—
Switzerland	–	–	8	16
Central and East European countries	–	–	1	—
Developing countries	**38**	**183**	**24**	**354**
World	**606**	**17,317**	**681**	**22,621**

[a] With the exception of Canada and the United States, revised breakdowns by individu
[b] Includes transactions with the former German Democratic Republic prior to Germa
— = Figure suppressed to avoid disclosure of information relating to individual enterp
Note: In some cases, area totals exceed the sum of component country totals due to the e
their component parts are due to rounding.

by Area *Values: £ million*

ions			Disposals					
)	1990		1988[a]		1989		1990	
Value	Number	Value	Number	Value	Number	Value	Number	Value
2,730	**220**	**3,642**	**22**	**171**	**28**	**493**	**37**	**1,251**
149	15	60	–	–	1	25	1	—
7	3	19	–	–	0	0	2	19
557	57	1,481	–	–	9	107	7	223
567	57	631	–	–	5	125	12	389
4	0	0	–	–	—	—	0	0
32	5	21	–	–	5	148	2	—
260	12	232	–	–	—	—	3	138
677	39	695	–	–	4	32	5	102
25	6	59	–	–	0	0	1	—
451	26	445	–	–	3	45	4	127
18,512	**187**	**7,220**	**54**	**3,241**	**72**	**2,004**	**42**	**3,767**
969	17	788	9	103	12	218	6	56
17,543	170	6,432	45	3,138	60	1,786	36	3,711
1,026	**67**	**632**	**21**	**349**	**20**	**730**	**14**	**112**
830	26	143	–	–	9	253	8	93
—	5	34	–	–	1	—	0	0
8	3	73	–	–	0	0	0	0
149	7	275	–	–	1	—	3	5
—	3	17	–	–	3	17	0	0
16	6	76	–	–	2	—	0	0
—	10	7	–	–	0	0	0	0
354	**55**	**202**	**14**	**118**	**14**	**433**	**14**	**275**
22,621	**529**	**11,696**	**111**	**3,880**	**134**	**3,660**	**107**	**5,405**

dividual countries and regions are not available for 1988.
Serman unification in 1990.
enterprises.
o the exclusion of some countries. Elsewhere, slight differences between totals and the sum of

Table 3

Cross-border Acquisitions and Mergers in Britain by Overseas Companies Ar

	Acquisitions			
	1988[a]		1989	
	Number	Value	Number	Value
European Community	**31**	**1,158**	**58**	**3,830**
Belgium and Luxembourg	–	–	2	11
Denmark	–	–	4	122
France	–	–	29	2,251
Germany	–	–	9	1,114
Irish Republic	–	–	5	232
Italy	–	–	1	—
Netherlands	–	–	4	40
Portugal	–	–	2	—
Spain	–	–	2	50
North America	**27**	**902**	**41**	**4,804**
Canada	4	[b]	4	[1]
United States	23	902	37	4,804
Other developed countries	**30**	**3,340**	**60**	**2,172**
Australia	–	–	3	1,319
Austria	–	–	0	0
Finland	–	–	7	58
Japan	–	–	25	431
New Zealand	–	–	1	—
Norway	–	–	3	—
South Africa	–	–	0	0
Sweden	–	–	13	92
Switzerland	–	–	8	156
Developing countries	**6**	**290**	**3**	**53**
World	**94**	**5,690**	**162**	**10,861**

[a] With the exception of Canada and the United States, revised breakdowns by individu

[b] Values not published separately and included in those for the United States.

— = Figure suppressed to avoid disclosure of information relating to individual enterp

Note: In some cases, area totals exceed the sum of component country totals due to the e their component parts are due to rounding.

nies Analysed by Area *Values: £ million*

tions			Disposals					
9	1990		1988[a]		1989		1990	
Value	Number	Value	Number	Value	Number	Value	Number	Value
3,830	**59**	**3,460**	**4**	**78**	**5**	**—**	**2**	**64**
11	4	17	–	–	0	0	0	0
122	3	125	–	–	0	0	0	0
2,251	26	1,750	–	–	3	844	2	64
1,114	13	1,260	–	–	1	—	0	0
232	5	63	–	–	0	0	0	0
—	1	5	–	–	0	0	0	0
40	7	240	–	–	1	—	0	0
—	0	0	–	–	0	0	0	0
50	0	0	–	–	0	0	0	0
4,804	**38**	**1,932**	**11**	**190**	**15**	**—**	**—**	**—**
[b]	1	[b]	2	39	2	—	—	—
4,804	37	1,932	9	151	13	1,802	10	343
2,172	**58**	**5,001**	**4**	**96**	**2**	**42**	**—**	**—**
1,313	1	996	–	–	0	0	0	0
0	1	25	–	–	0	0	0	0
58	1	—	–	–	0	0	—	—
431	22	1,464	–	–	0	0	0	0
—	1	175	–	–	0	0	0	0
—	1	—	–	–	2	42	0	0
0	6	140	–	–	0	0	0	0
92	12	1,956	–	–	0	0	0	0
156	13	233	–	–	0	0	0	0
55	**5**	**838**	**2**	**304**	**0**	**0**	**9**	**666**
10,861	**160**	**11,231**	**21**	**668**	**22**	**3,016**	**23**	**1,179**

ndividual countries and regions are not available for 1988.

enterprises.

o the exclusion of some countries. Elsewhere, slight differences between totals and the sum of

accounted for 73 of the 160 transactions recorded during the year, which represented 57 per cent of their total value. The value of disposals of interests in British firms by overseas firms in 1990 fell sharply compared with the figure for 1989, although the number was almost unchanged.

Oil and Gas

Exploration and appraisal drilling activity in Britain's offshore oil and gas industry reached an all-time high level in 1990. Oil production fell only fractionally, while gas production rose by nearly 11 per cent. The highest total of exploration and appraisal wells ever was drilled and 25 significant discoveries were made. British suppliers gained 77 per cent of the value of orders for goods and services on the United Kingdom Continental Shelf.

The Government has announced a £12 million oilfield research programme.

The Department of Energy's 1991 review of Britain's oil and gas development, published on 2 May,[1] also covers the economic, industrial, safety and environmental aspects of oil and gas production.

Oil and Gas Production

Britain's total oil production was 91·6 million tonnes in 1990, compared with 91·8 million tonnes in 1989. The former figure included 3 million tonnes of heavier natural gases, 0·6 million tonnes of condensate and 1·8 million tonnes of onshore crude oil (of which 0·4 million tonnes were produced from the Wytch Farm field and the remainder from lesser fields in the East Midlands, Hampshire and Dorset). Six new offshore oilfields and four onshore came onstream in 1990, bringing the total number in production to 48 offshore and 14 onshore fields.

In 1990 gas produced from the United Kingdom Continental Shelf (UKCS) amounted to 49,549 million cubic metres,[1] compared with 44,755 million cubic metres in 1989. Total sales of UKCS gas to gas suppliers amounted to 46,000 million cubic metres – 11·3 per cent higher than in 1989. Five new offshore gasfields came onstream in 1990, bringing the number in production (including one onshore field) to 34.

Exploration and Development

During 1990, 159 exploration and 65 appraisal wells were started. The mature provinces of the North Sea accounted for about 85 per cent of this drilling activity.

Twenty-five significant offshore discoveries were announced in 1990: 14 of oil, eight of gas, and three of gas condensate. Onshore, 12 exploration and one appraisal wells were started, and one significant discovery made, at Beckering in Lincolnshire.

Fourteen offshore oilfields, two offshore gasfields and one onshore oilfield were under development on the UKCS at the end of 1990. During 1990, 124 offshore development wells were drilled, 30 less than in 1989, but comparable with the number drilled in 1987.

Reserves

The estimate of proven plus probable initially recoverable oil reserves in present discoveries shows an increase from 2,480 million tonnes in 1989 to 2,570 million tonnes in 1990. Possible reserves have increased from 610 million to 620 million tonnes. The maximum possible total shows an increase, from 3,090 million tonnes in 1989 to 3,190 million tonnes in 1990. After taking account of cumulative oil production to the end of 1990 – 1,374 million tonnes – remaining recoverable oil reserves in present discoveries are estimated to be in the range 535–1,815 million tonnes.

Proven plus probable plus possible initially recoverable gas reserves in present discoveries now stand at 2·54 million million cubic metres. Proven plus probable reserves have increased from 1·89 million million cubic metres in 1989 to 1·96 million million cubic metres in 1990. After deducting cumulative gas production to the end of 1990 of 752,000

[1] *Development of the Oil and Gas Resources of the United Kingdom 1991.* HMSO, £26. ISBN 0 11 413705 6.

[1] 1 cubic metre = 35·31 cubic feet.

million cubic metres, remaining recoverable gas reserves in present discoveries are estimated to be between 545,000 million and 1·78 million million cubic metres.

Potential additional reserves (reserves found by exploration drilling about which insufficient is known to classify them as possible discovered reserves) are put at between 170 million and 380 million tonnes for oil and between 140,000 million and 300,000 million cubic metres for gas.

Estimates of undiscovered recoverable reserves, says the report, need to be treated with caution. The database for the calculations, however, has been modified to take account of new mapping and the results of wells drilled during 1990. Detailed assessments have been made in the northern and central North Sea, in the Southern Basin and Irish Sea, and in the East Midlands, North Yorkshire, Humberside, Weald, the West and south-east England. Estimates for undiscovered oil lie in the range 500-3,130 million tonnes. For undiscovered gas, associated gas (that is, associated with oil accumulations) and condensate, the estimated range is 280,000 million to 1·26 million million cubic metres.

Economic and Industrial Aspects

In 1990 UKCS oil and gas production accounted for about 1·5 per cent of Britain's gross national product at factor cost. Total revenue from the sale of oil and gas produced from the UKCS in 1990 is estimated to have been £8,600 million and £2,400 million respectively. Tax and royalty receipts attributable to UKCS oil and gas are estimated to have been £2,300 million in 1990-91 (see Table 1). Gross capital investment in the mineral oil and natural gas extraction industry (including investment by drilling and other contractors providing services to the industry) is estimated at some £3,500 million in 1990 (an increase of 30 per cent on 1989), about 16 per cent of British industrial investment and 3 per cent of gross domestic fixed capital formation. Total investment between 1965 and 1989 came to about £40,000 million (£74,000 million in 1990 prices). Some 36,500 people were employed offshore in September 1990.

Table 2 shows the relationship between oil and gas production and primary fuel consumption. Britain's production of oil and gas in 1990 corresponded to about 43 per cent and 20 per cent of total primary fuel consumption respectively. Oil production, at 91·6 million tonnes, exceeded consumption (82·6 million tonnes), and there was a substantial export and import trade in crude oil.

In 1990 the total value of orders reported by operators for oil and gas development work on the UKCS was £6,186 million (see Table 3), the highest figure ever, of which the British share was £4,784 million (77 per cent). During 1990 increased exploration and development resulted in the value of orders being some 57 per cent higher than in 1989.

Licensing

Under the twelfth offshore petroleum licensing round (see p 182, 1990) 115 applications

Table 1
Taxes and Royalties Attributable to UKCS Oil and Gas

£ million

	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91*
Royalties	2,057	919	1,024	602	575	600
Petroleum revenue tax	6,375	1,188	2,296	1,371	1,050	900
Corporation tax						
Total before advance corporation tax (ACT) set-off	2,916	2,676	1,298	1,210	768	800
ACT set-off	*1,085*	*1,130*	*681*	*700*	*520*	*350*
Mainstream corporation tax	*1,831*	*1,546*	*617*	*510*	*248*	*450*
Total	11,348	4,783	4,168	3,183	2,394	2,300

*Figures for 1990-91 are provisional.
Note: Differences between totals and the sums of their component parts are due to rounding.

Table 2
Britain's Primary Fuel Consumption Compared with Oil and Gas Production

million tonnes of oil or oil equivalent

	1985	1986	1987	1988	1989	1990*
Primary fuel consumption						
Coal	62·0	66·8	68·3	65·9	63·6	64·1
Petroleum	78·3	77·7	75·4	80·1	81·7	82·6
Natural gas	48·4	49·2	50·5	47·9	47·4	48·8
Nuclear electricity	13·0	12·6	11·7	13·5	15·4	14·2
Hydro-electricity	1·3	1·4	1·2	1·4	1·4	1·5
Total	203·0	208·6	210·0	211·9	212·3	214·1
Oil production	127·5	127·1	123·4	114·5	91·8	91·6
Gas production	37·1	39·0	40·8	39·3	38·3	42·2

*Figures for 1990 are provisional.
Note: Differences between totals and the sums of their component parts are due to rounding.

Table 3
Analysis of Orders* Placed for Goods and Services for Developments on the UKCS during 1990

	Value of orders in £ million		British	British percentage
	Total	British share	percentage	in 1989
Exploration				
Surveying	119	95	80	75
Exploration and appraisal drilling	355	282	79	85
Sub-total	474	377	80	82
Development				
Production platforms	1,619	1,258	78	97
Installation operations	169	91	54	56
Plant and equipment	1,015	747	74	81
Submarine pipelines	627	381	61	50
Development drilling	297	241	81	84
Terminals	195	161	83	95
Sub-total	3,922	2,879	73	80
Production				
Maintenance and production	380	371	98	92
Sub-total	380	371	98	92
General services (excluded wherever possible from above)				
Transport	447	399	89	87
Diving and underwater services	147	134	91	96
Drilling tools and equipment	506	380	75	72
Support of personnel offshore	245	182	74	64
Miscellaneous	65	62	95	97
Sub-total	1,410	1,157	82	80
TOTAL	6,186	4,784	77	81

*The figures represent orders over £100,000 in value for all sectors.

have been received from 80 companies. Under the frontier round (see p 184, 1990) 13 applications have been received from 37 companies.

Research and Development

The Government plans to make £6 million available over a five-year period towards a £12 million LINK research programme. It will be jointly promoted by the Offshore Supplies Office and the Natural Environment Research Council and will encourage the development of new technologies for the exploration, evaluation and monitoring of oil and gas reservoirs, which can be exploited by British service companies both in the North Sea and worldwide. Making the announcement on 30 April, Mr Colin Moynihan, Parliamentary Under-Secretary of State at the Department of Energy, said that the programme would enhance Britain's position 'as a major centre for hydrocarbon research and help ensure that [its] industry remains a major force in world markets'.

Shorter Notes

EFFECTS OF TAXES AND SOCIAL SECURITY BENEFITS ON HOUSEHOLD INCOME 1988

Statistics based on the *Family Expenditure Survey* for 1988 (see pp 123-4, 1990) show that average original income per household in that year was £12,360. Cash benefits amounted to £1,910, giving gross income of £14,280 (rounding accounts for differences between funds and the sum of component parts).

Following deductions (£2,960) of direct taxes and employees' contributions to social security (National Insurance), average disposable income was £11,310. Indirect taxes amounted to £2,320, so post-tax income was £9,000. With benefits in kind (for example, state education) valued at £1,830, final income came to £10,830.

Household income is adjusted to allow for household size and composition. A household of five adults, for example, needs a higher income than a person living alone in order to achieve the same standard of living. This adjustment is known as 'equivalisation'.

Ranked by equivalised disposable income, the top fifth of households had an original income of £29,170 and a final income of £20,700. The corresponding figures for the bottom fifth were £1,210 and £4,800. The top 20 per cent of households paid an average of £6,690 in direct taxes and employees' National Insurance contributions; the corresponding figure for the bottom 20 per cent was £670.

The extent of income redistribution brought about by the tax-benefit system can be seen by comparing shares of original and post-tax income. Ranked by equivalised disposable income, the top 20 per cent of households accounted for 50 per cent of original income and the bottom 20 percent for 1·9 per cent. The corresponding shares of post-tax income were 44 per cent and 6·9 per cent.

Results for the period from 1977 to 1988 show that the top fifth's share of equivalised disposable income went up from 36 per cent to 42 per cent and that the share of the bottom fifth fell from 9·7 per cent to 7·6 per cent.

Source: *Economic Trends*, March 1991. Central Statistical Office. HMSO, £11. ISBN 0 11 620472 9.

ENERGY EFFICIENCY

Over 70 schemes to improve energy efficiency and reduce carbon dioxide (CO_2) emissions from council houses in England will be funded under the Government's Energy Efficiency Demonstration Programme. Designed to encourage local authorities to adopt emission reduction and energy efficiency strategies for their housing, it is a key element in the Government's campaign to help reduce energy consumption and harmful emissions into the atmosphere (see p 354, 1990). Some £10 million is available in 1991-92, to be followed by a further £50 million in 1992-93. There are 4·2 million council homes in England, some 20 per cent of the housing stock. About half the energy used in Britain is consumed in buildings; two-thirds of that is consumed in the home.

Announcing details of the 56 local authorities which have put forward proposals resulting in 74 successful schemes for 1991-92, Mr Tim Yeo, Parliamentary Under-Secretary of State for the Environment, said that the response to the programme had been 'tremendous . . . . Over 350 bids were submitted by 165 local authorities.'

The Department of the Environment and the Department of Energy are jointly to fund a £1 million energy efficiency publicity drive in Britain. As it develops in later years, it will receive significantly more expenditure. The campaign, announced at the third meeting of the ministerial group on energy efficiency (see p 354, 1990) and to be launched in autumn 1991, will explain, among other things, how efficient use of energy in the home can reduce global warming.

In a speech in London on 29 April, the Secretary of State for Energy, Mr John Wakeham, said that extensive use of low-energy lighting both in industry and in the home could save Britain over a third of the electricity currently used for lighting. This, he said, 'would represent savings of some £700 million a year, as well as preventing around 15 million tonnes of CO_2 from being emitted into the atmosphere'. It is estimated that over £2,000 million a year is spent in Britain on electricity for lighting: £950 million in the commercial sector, £500 million in the domestic sector, £350 million in the public sector and £200 million in industry.

Sources: Department of the Environment news releases, 10.4.91 and 29.4.91; Department of Energy news release, 17.4.91.

EARTH OBSERVATION BY ERS-1 SATELLITE

A £30 million centre designed to process satellite data on the Earth's environment was opened in Farnborough, Hampshire, on 16 April. The Earth Observation Data Centre (EODC), located at the Aerospace Division of the Defence Research Agency, will handle the extensive data output from Europe's first remote sensing satellite, ERS-1. The role of the centre is twofold:

1 It will serve as Britain's national archive of data received from ERS-1 and will offer a variety of satellite data products and services to scientists and commercial users. The products will range from raw satellite data (in the form received at the ground station) to high-quality photographic images and processed maps.

2 It will process and store ERS-1 data on behalf of the European Space Agency, of which Britain is a member state.

The EODC will receive the satellite data from European Space Agency ground stations located in Sweden, Italy, Canada and the Canary Islands and from other national ground receiving stations.

Along-Track Scanning Radiometer

ERS-1 is due for launch later in May. It will orbit the Earth at an altitude of 780 km, monitoring the global environment. By using sophisticated radar and infra-red detectors, the satellite will be able to monitor the land, seas and polar ice caps in cloudy conditions and at night. On board ERS-1 will be an instrument designed in Britain that will provide more accurate data about the Earth's climate. The Along-Track Scanning Radiometer, funded by the Science and Engineering Research Council, will provide high-precision measurements of thermal infra-red emissions from the sea surface. The sea surface temperature plays a vital part in determining the world's weather and climate systems. Therefore, the precise measurements obtained by the scanning radiometer will be invaluable to scientists studying the global climate and atmosphere.

Sources: Science and Engineering Research Council news release, 1.5.91; Earth Observation Data Centre information pack.

Environmental, Social and Cultural Affairs

Housing

Tenants in Hull (Humberside) have voted for the establishment of a Housing Action Trust, the first tenants in Britain to do so. A £10·5 million government scheme to improve the design of two housing estates in the North West has also been announced.

Housing Action Trusts

The Government may designate Housing Action Trusts (HATs – see pp 428-30, 1987, and pp 442-3, 1988) subject to tenant approval by ballot. They are designed to assume responsibility for large concentrations of run-down local authority housing, with structural, social, economic and environmental problems beyond the capacity of the local authority to solve. A HAT would seek to reverse the decline by improving or rebuilding the housing stock and tackling other problems. On completion of its work, it would pass the housing on to other owners and managers, such as housing associations or tenants' co-operatives, or back to the local authority.

Subject to parliamentary approval, the Trust, covering the North Hull estate, will improve 2,100 homes and ensure good environmental and economic management. It will also assure security of tenure and continuation of existing tenant rights. Apart from the chairman, half the Trust board members will come from the tenants and the local council.

Welcoming the vote in favour of a HAT, the Minister for Housing, Sir George Young, said on 12 April that the Hull decision involved 'tenants, local authority, government and private sector in a creative partnership', which would be of interest to tenants and local government elsewhere. The Government, he continued, would be willing to consider use of such arrangements in other areas.

Design Improvements

On 10 April, Sir George announced two schemes, under the Design Improvement Controlled Experiment initiative, to improve council housing in Manchester and Preston (Lancashire).

Professor Alice Coleman, co-ordinator of the projects, has suggested that residents on run-down council estates are seriously disadvantaged by the poor design of their environment. She has therefore advocated radical design modification and improvement.

A £7·5 million scheme in Manchester will divide the estate into island sites surrounded by roads. Flats and maisonettes with their own front gardens will look outward, and the interior of the site will consist only of adjoining back gardens. Networks of paths and alleyways will be removed to reduce the risk of intruders. Walls and gates will make tower blocks more secure.

The £3 million Preston scheme will divide six low-rise blocks into smaller, self-contained, and more secure sections. New housing will be built to close gaps in the frontage, thus creating a more secure layout.

Paying tribute to the schemes, the Minister said that Professor Coleman's ideas should improve quality of life, with wide implications for housing policy.

Census of Population 1991

The 1991 Census of Population to collect reliable statistical information about population and households for all parts of the country was held on Sunday 21 April.

Purpose

Census information is used by central government, local authorities, health authorities and other private and public sector bodies. It assists them in making financial allocations and planning public utilities and other services, such as housing, education, health and social services, transport, leisure facilities and the siting of shops and workplaces.

There has been a census in Britain every ten years since 1801, except in 1941 when war intervened. The total cost of the 1991 Census is £135 million.

Administration

In early April, 115,000 enumerators[1] delivered census forms to about 23 million households throughout Britain. Each householder was required to provide details on the form of everyone staying at the address on the night of 21 April. The enumerators began the collection of the completed forms on the following day.

Questions

Subjects on which information was required in the census form included:

- name, sex and date of birth;
- marital status;
- relationship in household;
- usual address and address one year ago;
- country of birth;
- ethnic group;
- health;
- employment;
- journey to work;
- qualifications; and
- accommodation.

[1] Enumerators or census-takers are temporarily employed for the duration of the census process and work under the direction of the Office of Population Censuses and Surveys.

A question on ethnic group,[1] included in the census for the first time, was welcomed by the Commission for Racial Equality as a step towards a better understanding of racial issues in Britain. Accurate statistics on ethnic groups, both nationally and locally, will help to identify areas of racial disadvantage and measure the effectiveness of the Government's equal opportunities policies.

Translations of the information leaflet delivered with the census form were available in Arabic, Bengali, Chinese, Greek, Gujarati, Hindi, Italian, Punjabi, Somali, Turkish, Urdu and Vietnamese. In Wales the census form was available in English and Welsh.

Confidentiality

Census returns will be closed to public inspection for 100 years and will only be used to produce anonymous statistics about the population in general. It is unlawful for the Census Offices to pass information about identified people or households to other government departments or any other organisation.

Publication of Results

Preliminary counts of population for Britain as a whole and for each local area will be released about two months after Census day. The first detailed statistics for local areas will appear in October 1991. Detailed information for the country as a whole will be available by summer 1992. All the main results will be published by the end of 1993.

[1] The ethnic categories in the census question were: White, Black-Caribbean, Black-African, Black-Other (to be specified), Indian, Pakistani, Bangladeshi, Chinese and Other (to be specified).

Health Service Priorities

The Secretary of State for Health, Mr William Waldegrave, has issued a statement on the goals and priorities of the Department of Health and the National Health Service for the period 1991-95. A number of priorities have been identified to support the overall mission of improving the nation's health and

providing high quality care for those who need it.

The priorities set out in the statement[1] identify key areas for improvement within the administrative framework of the National Health Service (NHS). Overall emphasis is given to the most effective use of resources and improved operational efficiency within health and social services departments. Further priorities seek to improve the overall health of the nation and to increase international co-operation on health promotion and disease prevention.

Main Objectives

The priorities and key challenges for 1991-95 include:

1 Continued efforts to implement the reforms of the NHS and of personal social services under the framework of the National Health Service and Community Care Act 1990 (see pp 29-35, 1990).

2 Development of a national strategy for health following the publication in spring 1991 of a consultation paper. The statement says that the public should be made aware of the strategy, and should become increasingly well informed of factors that determine good health.

3 Promotion of good relations and effective communications between the Department of Health and the health and social services professions. Joint initiatives are to be encouraged and facilitated.

4 An appropriate and effective national contribution to the health and social policies of the European Community, World Health Organisation and other international organisations. In particular, development and implementation of plans in a European and international context for health promotion, the removal of health hazards and the prevention of communicable diseases.

5 A strengthened scientific basis of health and social care policies achieved through increased research and development.

6 Amendments, as appropriate, to the Nurses, Midwives and Health Visitors Act 1979 (see p 121, 1979); full implementation of the Human Fertilisation and Embryology Act 1990 (see pp 191-3 and 373, 1990), the Children Act 1989 (see pp 207-9 and 450, 1989), and the Food Safety Act 1990 (see pp 145-7, 1990).

7 Further initiatives on smoking, alcohol and drug misuse, and HIV/AIDS. Continued action to control and prevent communicable diseases, including food and waterborne infection.

8 Increased public understanding of the Government's objectives for the NHS and its progress in achieving them.

9 Optimum use of human resources within the NHS. Equality of opportunity will be emphasised, while improved career development and training facilities will be offered.

10 Continued improvement in standards of care provided through the NHS and by social services, along with more cost-effective use of public expenditure in these fields.

11 Increased consumer satisfaction with health and social services, along with improved job satisfaction among all involved in providing and managing those services.

[1] *Secretary of State's Statement: Mission, Goals, Priorities, Aims: 1991-92 to 1994-95.* Available free from Public Enquiries Unit, Department of Health, Richmond House, 79 Whitehall, London SW1A 2NS.

Shorter Notes

CATHEDRAL REPAIRS

A government grant scheme for repairs to historic cathedrals was launched on 3 April. The scheme, which will provide up to £11·5 million over three years, was first announced in the environment White Paper, *This Common Inheritance* (see pp 358-61, 1990).

Speaking at Chichester Cathedral, Sir George Young, Minister of State for the Environment, said that few people would dispute the importance of historic cathedral buildings to Britain's heritage. The Government believed that public appeals and private donations should continue to be the main source of funding, but that English Heritage's building repair grants should be extended to cathedrals and comparable

buildings of other denominations. The new scheme would therefore supplement rather than replace existing fund-raising efforts. He congratulated 'all those involved in establishing quickly a scheme which will be targeted on those projects most in need of this extra funding'.

Provision for the scheme will total some £2 million in 1991-92, £4 million in 1992-93 and £5·5 million in 1993-94. This money will be channelled through English Heritage, which already has established expertise and procedures in making grants to repair historic buildings. A working group was established by the Department of the Environment, English Heritage and the church authorities to consider the grant regime proposed in 1990 by the Government. The scheme announced on 3 April is a result of its deliberations. The Church of England has welcomed the Government's decision to support repairs to historic cathedrals.

Source: Department of the Environment news release, 3.4.91.

DOG FOULING

New measures to deal with dog fouling were announced on 16 April by Mr Tony Baldry, Parliamentary Under-Secretary of State for the Environment. Since 1 May local authorities have been obliged to keep parks free from dog faeces.

Under Part IV of the Environmental Protection Act 1990 (see pp 81-4 and 394-5, 1990), local authorities and educational institutions have a duty to keep their public land free from litter. If they fail to comply, members of the public can apply to the magistrates' court for a litter abatement order, which would require that the litter concerned be cleared away. The Act also contains powers for the Government to apply these provisions to animal droppings. Under these powers an Order has been made to extend the duty to keep land clear to include freedom from dog faeces.

Mr Baldry said that the Act contained important new powers to deal with litter. Dog faeces were a health hazard both in parks and on pavements. From 1 May, therefore, local authorities and other relevant bodies would have to see that areas such as parks and playgrounds were kept free from dog faeces. He added that local authorities could introduce by-laws to require dog-owners to clear up after their dogs.

Source: Department of the Environment news release, 16.4.91.

RESEARCH STRATEGY FOR HEALTH CARE

The Government has launched a comprehensive Research and Development (R & D) strategy for the National Health Service (NHS). The strategy emphasises the role of medical research in improving methods of health care and achieving a cost-effective use of resources. It is intended that up to 1·5 per cent of NHS funds will be allocated to R & D. This will further enable researchers to evaluate the many new medical products and techniques, and to identify obsolete and ineffective health practices. The overall aim is to ensure that resources are used to best effect, so that inefficient methods are eliminated and replaced by new, improved techniques.

A key feature of the strategy is that, as far as possible, responsibility for R & D should be devolved to regional and local level. This means that each regional health authority will be responsible for planning and implementing its own R & D programme, following broad national objectives. The strategy will also provide a new and important opportunity for close collaboration in medical research between the NHS, the universities, the Medical Research Council, medical charities and industry.

The R & D strategy incorporates the following main elements:

1 A planned and managed approach by the NHS to health research to provide a scientific basis for action to improve health.

2 A new national R & D programme to be carried out by regional health authorities within a national framework.

3 The setting of national R & D priorities.

4 The creation of a Central Research and Development Committee.

5 A requirement on regional health authorities to prepare, publish, resource and implement R & D plans.

6 The creation of information systems to hold research data for use by purchasers and providers of health care, for health policy and planning purposes.

7 The prompt introduction of evaluated cost-effective developments in the NHS.

8 Challenging but manageable national and regional expenditure targets.

9 Collaboration with other research funding bodies to address issues of agreed national priority.

Announcing the strategy, the Secretary of State for Health, Mr William Waldegrave, said: 'This is the first time we have produced a comprehensive research and development strategy for the NHS. I welcome this; it will assist with our continuing efforts to improve health care and will contribute towards the setting of health service priorities.'

Source: Department of Health news release, 24.4.91.

HOSPICE CARE

It was announced on 18 April that a grant of £3·2 million is being allocated for 1991-92 to enable hospices to obtain free the drugs supplied by health authorities. Under existing provision, hospices have to obtain the drugs that they need through individual prescriptions by general practitioners (GPs) or by buying them – arrangements which predate the rapid expansion in the voluntary hospice movement. Under the new scheme, which is being introduced on a trial basis, hospices will be exempt from these charges.

Financial help is also being given to the Cancer Relief Macmillan Fund to support two development projects aimed at improving palliative care for people at home. They are:

– an evaluation of the Fund's new hospital-based home nursing services for children with life-threatening conditions and for their families, and a comparison with other forms of treatment for this group; and

– the establishment, in association with the Royal College of General Practitioners, of a number of experimental GP posts, to offer local educational and professional support for GPs providing palliative care for people at home.

These decisions form part of a series of measures taken by the Government to strengthen the partnership between the voluntary hospice movement and the National Health Service in providing high-quality care for dying people and support for their families. Other recent measures include:

1 An allocation in 1990 of £8 million to health authorities to increase the support that they give to the hospice movement. Authorities were asked to work towards a position where the value of their contribution towards the cost of agreed services matched that raised from voluntary donations.

2 A further allocation in 1991 of £17 million for the support of hospices.

3 A grant of £524,000 to the Open University to develop a course on death and dying, which is designed to disseminate to a wider audience the principles of palliative care pioneered by the hospice movement.

4 Support for a programme of research into standards of palliative care, announced in November 1990.

Sources: Department of Health news releases, 18.4.91 and 9.1.91.

SCHOOL TEACHERS' PAY AND CONDITIONS

The School Teachers' Pay and Conditions (No 2) Bill received its second reading in the House of Commons by 310 votes to 200 on 29 April. It replaces the School Teachers' Pay and Conditions Bill (see pp 43-4), which was withdrawn by the Government on 17 April. The Government's change of view has been brought about by its belief that the former collective bargaining system has not served pupils' interests and that the interim advisory committee making recommendations to the Government on teachers' pay and conditions has been 'of great importance in encouraging teachers' professionalism by avoiding conflict about the level of their pay'.

Under the new Bill, which applies to England and Wales, the pay and conditions of teachers would be determined by an independent review body appointed by, and reporting directly to, the Prime Minister. The review body would take evidence from teacher unions and employers and the Government. Parallel review bodies set pay levels for the health service, armed forces, senior civil servants and the judiciary.

Teachers would be expected not to take industrial action over matters falling within the review body's remit. In return, the Government would undertake to implement its recommendations, unless there were clear and compelling reasons not to do so. Although the review body would not be subjected to predetermined financial constraints, it would be instructed to consider what was affordable as well as the Government's view that teachers' pay should be set at a level high enough for adequate numbers of good quality teachers to be recruited, retained and motivated. The new system would cover teachers in all maintained schools except those in grant-maintained schools which chose to make their own arrangements concerning pay and conditions.

The Government aims to secure Royal Assent in time for the 1992 pay settlement to be decided by the new review body.

Sources: *Hansard*, Vol 189, No 89, cols 433-4; and Vol 190, No 97, cols 33-117.

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Central Office of Information, Hercules Road, London SE1 7DU.

Central Statistical Office, Government Offices, Great George Street, London SW1P 3AQ.

HM Customs and Excise, New King's Beam House, 22 Upper Ground, London SE1 9PJ.

Ministry of Defence, Main Building, Whitehall, London SW1A 2HB.

Department of Education and Science, Elizabeth House, York Road, London SE1 7PH.

Department of Employment, Caxton House, Tothill Street, London SW1H 9NF.

Department of Energy, 1 Palace Street, London SW1E 5HE.

Department of the Environment, 2 Marsham Street, London SW1P 3EB.

Foreign & Commonwealth Office, King Charles Street, London SW1A 2AH.

Department of Health, Richmond House, 79 Whitehall, London SW1A 2NS.

Home Office, Queen Anne's Gate, London SW1H 9AT.

Board of Inland Revenue, Somerset House, London WC2R 1LB.

Office of the Minister for the Civil Service, Government Offices, Horse Guards Road, London SW1 3AL.

Northern Ireland Information Service, Stormont Castle, Belfast BT4 3ST.

Overseas Development Administration, Eland House, Stag Place, London SW1E 5DH.

Scottish Information Office, New St Andrew's House, Edinburgh EH1 3TD.

Department of Social Security, Richmond House, 79 Whitehall, London SW1A 2NS.

Department of Trade and Industry, 1 Victoria Street, London SW1H 0ET.

Department of Transport, 2 Marsham Street, London SW1P 3EB.

HM Treasury, Parliament Street, London SW1P 3AG.

Welsh Office, Cathays Park, Cardiff CF1 3NQ.

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